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R 121439Z DEC 08

FM USEU BRUSSELS

TO RUEHC/SECSTATE WASHDC

INFO RUCNMEU/EU INTEREST COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEH^SW/AMEMBASSY BERN

RUEHMO/AMEMBASSY MOSCOW

RUEHOT/AMEMBASSY OTTAWA

RUEHSQ/AMEMBASSY SKOPJE

RUEHTI/AMEMBASSY TIRANA

RUEHGA/AMCONSUL CALGARY

RUEHHA/AMCONSUL HALIFAX

RUEHKW/AMCONSUL KRAKOW

RUEHM^T/AMCONSUL MONTREAL

RUEHLN/AMCONSUL ST PETERSBURG

RUEHON/AMCONSUL TORONTO

RUEHVC/AMCONSUL VANCOUVER

RULSDMK/DEPT OF TRANSPORTATION WASHDC

UNCLAS BRUSSELS 001876

SENSITIVE

SIPDIS

STATE FOR EUR/ERA-ROCKWELL, EEB FOR BYERLY, FINSTON,
WALKET-TIGHE

MONTREAL PASS ICAO

E.O. 12958: N/A

TAGS: EAIR ECON EUN CA

SUBJECT: EU AND CANADA REACH AIR TRANSPORT AGREEMENT

¶1. (SBU) On December 9, the EU and Canada announced they had concluded negotiations and initiated a comprehensive air transport agreement. It will replace the existing network of bilateral aviation arrangements, liberalize direct air services between Canada and EU member states, allow cargo carriers to fly onward to third countries, and extend coverage to Cyprus, Estonia, Latvia, Lithuania, Luxembourg, Malta, Slovakia and Slovenia. The agreement will come into force upon formal signature sometime next year, most likely before the next EU-Canada summit which is expected to be held late in the Czech presidency, perhaps in May or June.

¶2. (SBU) EU officials are highlighting the possibility for future increased foreign investment since the agreement structure links additional market opening to greater investment freedom. Current Canadian limits on foreign voting equity are set at 25%, but in January Canada's Competition Bureau recommended raising the limit to 49% -- a move that can be taken without enacting new legislation and something the Canadian government is likely to do. That moment may well be delayed by month as Canada works through its current political upheavals. At that point, additional traffic rights will be granted including allowing cargo carriers to operate services to third countries from the other party without connecting to their point of origin. The agreement envisions the possibility of two additional phases that could lead to a full Open Aviation Area (OAA) between the EU and Canada, with the ability to freely invest, establish and control operations in each other's territory, but this would require changes in the Canadian legislation. Canada is under no commitment to do so, and it is our understanding that there is no intention to undertake changes anytime soon. According to news reports, Canadian pilots adamantly oppose allowing European air carriers to provide domestic services in Canada and to European control of aviation companies in Canada.

¶3. (SBU) In line with the US-EU agreement, a joint committee will be set up to oversee implementation of the agreement and to provide a regular forum for discussion. The EU and Canada have also pledged to cooperate on safety, security and environmental issues in the aviation sector.

¶4. (SBU) The new air transport agreement will significantly expand the rights of Canadian and EU carriers to operate freely in the market. Despite the current economic situation, it is expected to facilitate growth in trade, investment, and tourism by providing additional opportunity, choice and flexibility to businesses, carriers, and consumers; and by increasing competition. In 2007, nine million passengers traveled between Canada and the EU and the agreement should result in increased traffic. Given the close integration of US-Canada aviation, the new, more open, EU-Canada agreement should benefit Americans as well.

¶5. (U) Additional information is available at:
www.ec.europa.eu/transport
www.tc.gc.ca

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